

Message Text

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PAGE 01 OTTAWA 00075 01 OF 02 102252Z

ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/100 W

-----102310Z 128372 /63

R 102223Z JAN 77

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 2082
INFO USMISSION GENEVA
USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 0075

USMISSION FOR PHELAN

E.O. 11652: N/A

TAGS: ETRD, GATT, CA

SUBJ: USDEL REPORT ON ARTICLE XIX CONSULTATIONS WITH
CANADA ON CANADIAN GLOBAL QUOTAS ON IMPORTS OF APPAREL
FROM THE U.S.

REF: OTTAWA 4503, NOV 10, 1976

1. SUMMARY. U.S. AND CANADIAN DELS MET ON JANUARY 10
IN OTTAWA FOR CONSULTATIONS ON CANADIAN GLOBAL QUOTAS
ON IMPORTS OF APPAREL AND FOLLOWUP CONSULTATIONS ON
CANADIAN RESTRICTIONS ON POLYESTER FILAMENT YARN AND
DOUBLE-KNIT FABRIC IMPORTS. CONSULTATIONS WERE HELD
PURSUANT TO PROVISIONS OF GATT ARTICLE XIX:2. USDEL
OUTLINED POSITION CONTAINED IN TPSC DOC 77-1 AND
REQUESTED REMOVAL OR MODIFICATION IN RETROGRESSIVE
QUOTAS SET BY CANADA AT 1975 LEVELS. WHEN REMOVAL OR
MODIFICATION OF QUOTAS WAS INDICATED AS UNLIKELY BY
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PAGE 02 OTTAWA 00075 01 OF 02 102252Z

CANADIANS, U.S. REQUESTED COMPENSATION IN LINE WITH
LIST CONTAINED IN U.S. POSITION PAPER. CANADIANS
TOOK LIST IN HAND BUT QUESTIONED CONCEPT OF COMPENSATION
STATING THEY WERE OF OPINION THAT U.S. HAD NO
SUBSTANTIAL SUPPLIER INTEREST IN APPAREL WITH ONLY
FIVE PERCENT OF CANADIAN IMPORTS AND THAT 45 PERCENT
OF U.S. APPAREL EXPORTS TO CANADA BENEFITTED FROM

DISC SUBSIDIES. USDEL RESPONDED THAT WE BELIEVED BROAD RANGE OF PRODUCTS COVERED BY QUOTAS AND VALUE OF IMPORTS FROM U.S. CONSTITUTED SUBSTANTIAL INTEREST. USDEL ADDED THAT ARTICLE XIX PROVIDED OTHER MEANS OF REDRESSING BALANCE OF CONCESSIONS SHOULD CANADA DECIDE AGAINST COMPENSATION. CANDEL ALSO ACCEPTED WITHOUT PREJUDICE COMPENSATION LISTS FOR APPAREL AND DOUBLE-KNIT QUOTAS. CANADIANS AGREED TO TRY TO MEET AGAIN IN MID-FEBRUARY. END SUMMARY.

2. USDEL BEGAN CONSULTATIONS WITH STATEMENT OF U.S. POSITION THAT CANADA'S GLOBAL QUOTAS ON APPAREL WOULD LIKELY RESULT IN VERY SIGNIFICANT ROLL-BACKS IN LEVEL OF U.S. APPAREL EXPORTS TO CANADA BECAUSE OF CANADA'S USE OF 1975 AS BASE YEAR FOR QUOTAS. AS SUCH U.S. REQUESTED THAT CANADA REMOVE OR SUBSTANTIALLY MODIFY THE APPAREL QUOTAS.

3. CHAIRMAN CANDEL (ARTHUR) INDICATED THAT CANADA'S ARTICLE XIX ACTION HAD RESULTED FROM A 52 PERCENT INCREASE IN APPAREL IMPORTS IN THE FIRST SEVEN MONTHS OF 1976 OVER 1975. ARTHUR ADDED THAT MOST IMPORTS WERE FROM LOW COST COUNTRIES AND THAT CANADA HAD REASON TO BELIEVE THAT MANY APPAREL IMPORTS WERE BEING SOLD AT BELOW COST. IN THE PERIOD 1969-1975 ARTHUR SAID THE CANADIAN MARKET FOR APPAREL HAD GROWN AT 2.7 PERCENT ANNUALLY WHILE IMPORTS GREW AT A RATE OF 18.5 PERCENT. THUS, WHILE ARTHUR STRESSED THE INTERIM NATURE OF THE QUOTAS, LIMITED OFFICIAL USE

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PAGE 03 OTTAWA 00075 01 OF 02 102252Z

HE INDICATED THERE WAS NO IMMEDIATE PROSPECT FOR REMOVAL OR MODIFICATION OF THE APPAREL QUOTAS. QUERIED ON THE USE OF ARTICLE XIX INSTEAD OF MFA RESTRAINTS, ARTHUR SAID CANADA SAW NO ALTERNATIVE TO ARTICLE XIX ACTION BECAUSE OF PERCEIVED NEED TO ROLL BACK IMPORT LEVELS. IN ADDITION CANADA BELIEVED ARTICLE XIX HAD ADVANTAGE OF BEING NON-DISCRIMINATORY AND HAD ONLY A MINIMAL IMPACT ON SHIFTING INTERNATIONAL TEXTILES TRADE PATTERNS.

4. IN VIEW OF CANADIAN UNWILLINGNESS TO DROP OR MODIFY QUOTAS, USDEL REQUESTED THAT CANADIANS CONSIDER LIST OF COMPENSATION ITEMS CONTAINED IN ATTACHMENT ONE TO TPSC DOC 77-1 TO REDRESS BALANCE OF CONCESSIONS IMPAIRED BY CANADIAN GLOBAL QUOTAS ON APPAREL.

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PAGE 01 OTTAWA 00075 02 OF 02 102301Z
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INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
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STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/100 W

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R 102223Z JAN 77
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LIMITED OFFICIAL USE SECTION 2 OF 2 OTTAWA 0075

5. CANDEL TOOK LIST IN HAND BUT SAID THEY COULD NOT ACCEPT THE U.S. REQUEST FOR COMPENSATION "IN AN FORMAL WAY." CANADIANS THEN QUESTIONED WHETHER COMPENSATION WAS DUE BECAUSE: (1) WITH ONLY 5 PERCENT OF CANADIAN APPAREL IMPORTS ORIGINATING IN U.S., U.S. HAD NO SUBSTANTIAL INTEREST IN SUPPLYING APPAREL TO CANADA; (2) CANADA CALCULATED THAT 45 PERCENT OF U.S. APPAREL EXPORTS TO CANADA BENEFITTED FROM DISC SUBSIDIES; AND (3) CANADA WOULD HAVE TO TAKE INTO ACCOUNT THE INTERIM NATURE OF THE CANADIAN QUOTAS IN ANY CONSIDERATION OF A U.S. REQUEST FOR COMPENSATION.

6. USDEL (LEARY) RESPONDED THAT ARTICLE XIX PROVIDED FOR OTHER MEANS OF REDRESSING BALANCE OF CONCESSIONS SHOULD CANADA BE UNWILLING TO CONSIDER COMPENSATION REQUESTS. LEARY ASKED WHETHER CANADA WOULD BE WILLING TO MEET AGAIN BY MID-FEBRUARY TO DISCUSS U.S. COMPENSATION REQUEST. ARTHUR INDICATED THAT OTHER ARTICLE XIX CONSULTATIONS WOULD COMPLICATE

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PAGE 02 OTTAWA 00075 02 OF 02 102301Z

HIS SCHEDULE BUT THAT CANADA WOULD BE WILLING TO MEET AGAIN SOON. HE FURTHER INDICATED THAT ALTHOUGH

CANADA WAS ONLY PREPARED TO ACCEPT OUR COMPENSATION
PAPER ON A "WITHOUT PREJUDICE" BASIS, THEY WOULD BE
READY TO RESPOND TO IT AT OUR NEXT MEETING.

7. ARTICLE XIX - TEXTURED POLYESTER FILAMENT
YARN: THE CANDEL SUPPLIED THE U.S. WITH THE
FIGURES PROMISED ON NOVEMBER 9 AS FOLLOWS:

IMPORTS FROM THE U.S.

JULY 8, 1976 - DECEMBER 10, 1976

YARN SUBJECT TO SURTAX

UP TO DENIER COUNT 199 197,000 LBS

YARN NOT SUBJECT TO SURTAX

DENIER COUNT OVER 199 543,800 LBS

THREAD AND UNTEXTURED YARN 278,000 LBS

YARN ABOVE THE FLOOR PRICE 140,000 LBS

OTHER 83,000 LBS

WHEN QUESTIONED IF STATISTICS BY VALUE WERE AVAILABLE,
THE CANDEL INDICATED THAT THEY WOULD ATTEMPT TO
SUPPLY SUCH FIGURES. ARTHUR STATED THAT GOC
CONSIDERATION OF THE U.S. REQUEST LIST PRESENTED
NOVEMBER 9 WOULD BE HEAVILY INFLUENCED BY THE
FINDING BY REVENUE CANADA THAT TEXTURED POLYESTER
FILAMENT YARN WAS SUBJECT TO ANTI-DUMPING DUTIES.

8. ARTICLE XIX - DOUBLE-KNIT FABRICS: THE
CANDEL ACCEPTED WITHOUT PREJUDICE THE U.S. REQUEST
LIST NOTING THAT THERE MAY BE GROUNDS FOR A
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PAGE 03 OTTAWA 00075 02 OF 02 102301Z

REVENUE CANADA ANTI-DUMPING INVESTIGATION ON THIS
COMMODITY WITH SIMILAR IMPLICATIONS FOR CANADA'S
REVIEW OF THE U.S. REQUEST FOR COMPENSATION.

COMMENT: THE CONSULTATIONS AND SIDE CONVERSATIONS WERE MOST
DISCOURAGING IN TERMS OF (1) RESTORING THE
BALANCE OF CONCESSIONS FOLLOWING INVOCATION OF
ARTICLE XIX, (2) FUTURE PROSPECTS
FOR CANADIAN PARTICIPATION IN THE MFA, AND (3) CANADIAN
WILLINGNESS TO RESORT TO PROTECTIONIST MEASURES TO DEAL WITH
PROBLEMS OF THEIR DOMESTIC TEXTILE INDUSTRY.
ENDERS

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Disposition Reason:
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Review Release Event: n/a
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